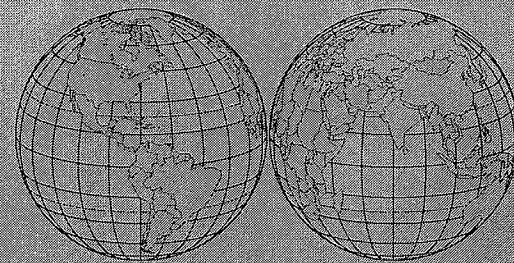


Strategy

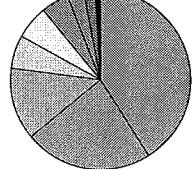
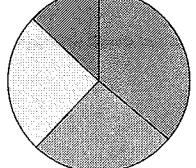
Since 1923, Ecolab has followed a strategy to Circle the Customer in institutional and industrial markets with an ever-widening array of value-added, premium products, systems and services. Today, Ecolab continues to grow by meeting the increasing breadth and depth of cleaning and sanitation requirements for these critical markets.

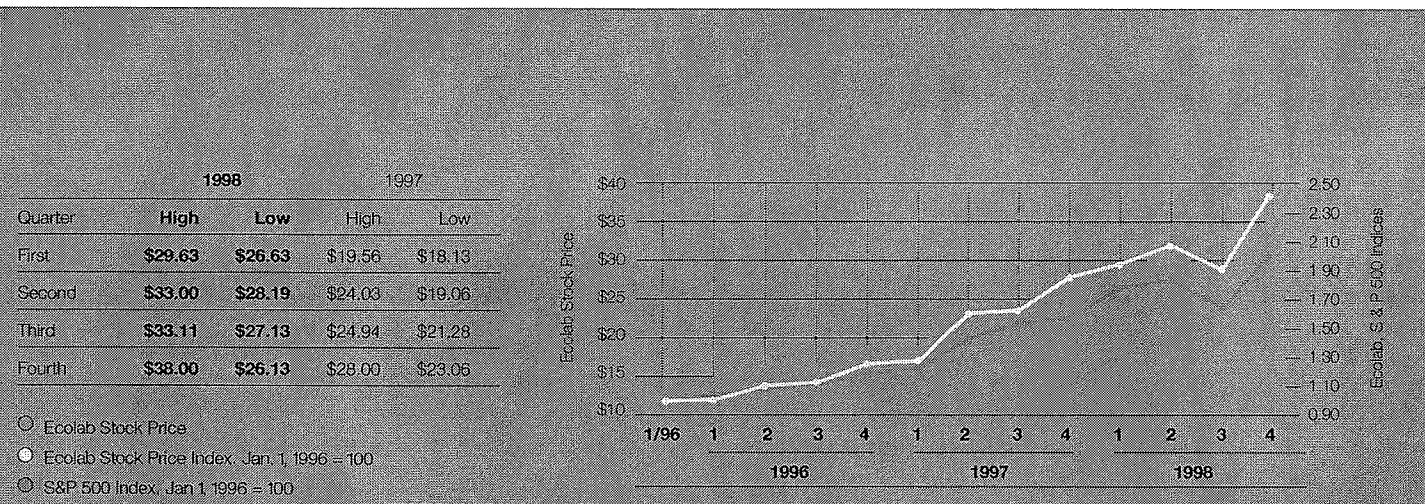
Equally important has been Ecolab's mission to Circle the Globe. We are dedicated to serving our customers whenever, wherever they need us. We ensure they achieve the highest level of cleaning and sanitation, around the clock, around the world.

Global Coverage



Countries Served by Ecolab
 Countries Served by Henkel-Ecolab

Business Overview	Business Mix	Customers/Markets									
<p>Ecolab Reaching customers in more than 150 countries around the world to provide products, systems and services to meet all of their cleaning and sanitation needs is the premise behind Ecolab's Circle the Customer – Circle the Globe strategy. To this end, Ecolab develops and markets complementary offerings through seven business units in the United States: Institutional, Pest Elimination, Kay, Textile Care, Professional Products, Food & Beverage, and Water Care Services. In addition, as a global supplier, Ecolab reaches customers in Canada, Asia Pacific, Latin America and Africa through direct subsidiaries, joint ventures, export operations, licensees and distributors.</p>	 <p>1998</p> <table> <tr> <td>■ Institutional 41%</td> </tr> <tr> <td>■ International 23%</td> </tr> <tr> <td>■ Food & Beverage 13%</td> </tr> <tr> <td>■ Pest Elimination 6%</td> </tr> <tr> <td>□ Professional Products 6%</td> </tr> <tr> <td>■ Kay 5%</td> </tr> <tr> <td>■ Textile Care 3%</td> </tr> <tr> <td>■ Other Services 2%</td> </tr> <tr> <td>■ Water Care Services 1%</td> </tr> </table>	■ Institutional 41%	■ International 23%	■ Food & Beverage 13%	■ Pest Elimination 6%	□ Professional Products 6%	■ Kay 5%	■ Textile Care 3%	■ Other Services 2%	■ Water Care Services 1%	<p>Customers:</p> <ul style="list-style-type: none"> • Restaurants • Hotels • Quickservice operations • Food retail (grocery) • Schools • Laundries • Healthcare facilities • Dairy farms and plants • Food, beverage and brewery processing plants • Office buildings • Shopping malls • Light industry • Fleet and vehicle wash <p>Markets:</p> <ul style="list-style-type: none"> • United States • Canada • Asia Pacific • Latin America • Africa
■ Institutional 41%											
■ International 23%											
■ Food & Beverage 13%											
■ Pest Elimination 6%											
□ Professional Products 6%											
■ Kay 5%											
■ Textile Care 3%											
■ Other Services 2%											
■ Water Care Services 1%											
<p>Henkel-Ecolab In Europe, Ecolab completes its Circle the Customer – Circle the Globe strategy through Henkel-Ecolab, a joint venture headquartered in Düsseldorf, Germany. Henkel-Ecolab's business mirrors that of Ecolab's elsewhere, offering the same premium products and services to global chains that require worldwide consistency, as well as serving individual customers.</p>	 <p>1998</p> <table> <tr> <td>■ Institutional 36%</td> </tr> <tr> <td>■ Professional Hygiene 26%</td> </tr> <tr> <td>□ Food & Beverage P3 25%</td> </tr> <tr> <td>■ Textile Hygiene (Textile Care) 13%</td> </tr> </table>	■ Institutional 36%	■ Professional Hygiene 26%	□ Food & Beverage P3 25%	■ Textile Hygiene (Textile Care) 13%	<p>Customers:</p> <ul style="list-style-type: none"> • Restaurants • Hotels • Laundries • Healthcare facilities • Dairy farms and plants • Food, beverage and brewery processing plants • Schools • Office buildings • Light industry <p>Market:</p> <ul style="list-style-type: none"> • Europe 					
■ Institutional 36%											
■ Professional Hygiene 26%											
□ Food & Beverage P3 25%											
■ Textile Hygiene (Textile Care) 13%											



Institutional: Innovative warewashing, on-premise laundry, housekeeping, warehandling, water filtration and conditioning, kitchen equipment repair, vehicle wash, and pool and spa management products, programs and services for the foodservice and hospitality industries.

Pest Elimination: Commercial pest elimination and prevention services.

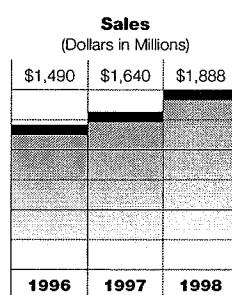
Key: Cleaning and sanitation products and training programs for the quickservice restaurant, convenience store and food retail markets.

Textile Care: Cleaning and sanitizing products and services for large on-premise and commercial laundries.

Professional Products: Floor-care, carpet-care, odor-control, personal hand soap, surgical scrub, disinfecting and general sanitizing products, programs and systems for the commercial, industrial and healthcare markets.

Water Care Services: Water treatment programs for boilers, cooling water and waste treatment systems.

Food & Beverage: Cleaning and sanitizing products, equipment, systems and services for the agribusiness, beverage, brewery, dairy and food processing industries



December 31	1996	1997	1998
Institutional	2,125	2,260	2,405
Kay	95	100	120
Textile Care	135	130	125
Professional Products	200	200	190
Water Care	80	95	95
Food & Beverage	365	375	420
Pest Elimination	1,035	1,115	1,260
Other – U.S.	–	5	285
Canada	240	265	300
Asia Pacific*	455	505	750
Latin America	335	310	330
Africa	75	85	85
Total	5,140	5,445	6,365

*excludes Gibson in 1996 and 1997

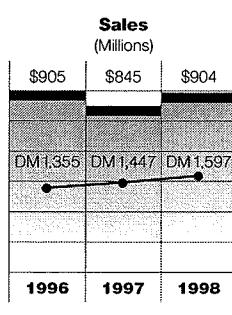
Prior years have been restated to conform to the 1998 presentation.

Institutional: Warewashing, housekeeping and related products and services for the hospitality and foodservice markets.

Professional Hygiene: Detergents, sanitizers, machines, equipment, floor-care and odor-control products for contract or in-house cleaning, and highly specialized disinfectants and other cleaning and sanitizing products for the health-care industry.

Food & Beverage P3: Cleaning and sanitizing products for the agribusiness, beverage, brewery, dairy, food processing, pharmaceutical and cosmetic industries.

Textile Hygiene: Cleaning and sanitizing products and services for large commercial, on-premise and small independent laundries.

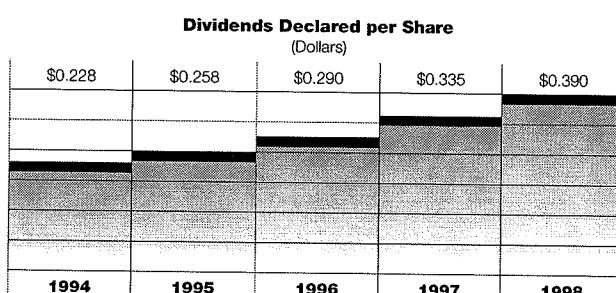
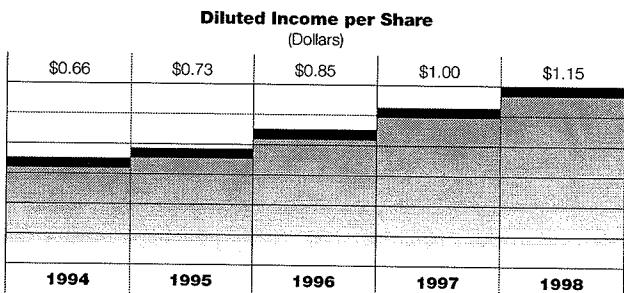
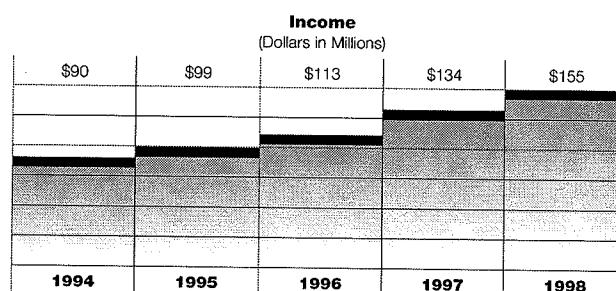
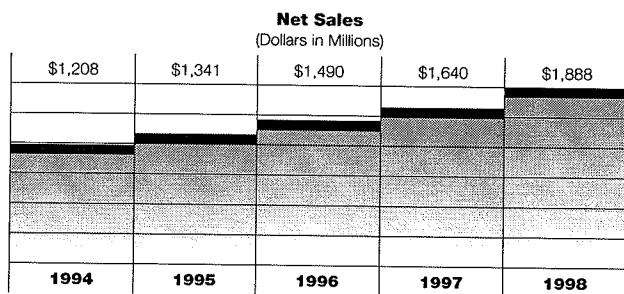


December 31	1996	1997	1998
Joint Venture	2,010	2,225	2,365

Prior years have been restated to conform to the 1998 presentation.

Financial Highlights

December 31 (thousands, except per share)	1998	1997	1996	Percent Change	
				1998	1997
Net Sales	\$1,888,226	\$1,640,352	\$1,490,009	15%	10%
Income from Continuing Operations	154,506	133,955	113,185	15	18
Percent of Sales	8.2%	8.2%	7.6%		
Diluted Income from Continuing Operations					
per Common Share	1.15	1.00	0.85	15	18
Diluted Weighted-Average Common Shares Outstanding	134,047	133,822	132,817	—	1
Cash Dividends Declared per Common Share	0.390	0.335	0.290	16	16
Cash Provided by Continuing Operating Activities	274,529	235,098	254,269	17	(8)
Capital Expenditures	147,631	121,667	111,518	21	9
Shareholders' Equity	690,541	551,701	519,963	25	6
Return on Beginning Equity	28.0%	25.8%	24.8%		
Total Debt	295,032	308,268	176,292	(4)	75
Total Debt to Capitalization	29.9%	35.8%	25.3%		
Total Assets	\$1,470,995	\$1,416,299	\$1,208,409	4%	17%



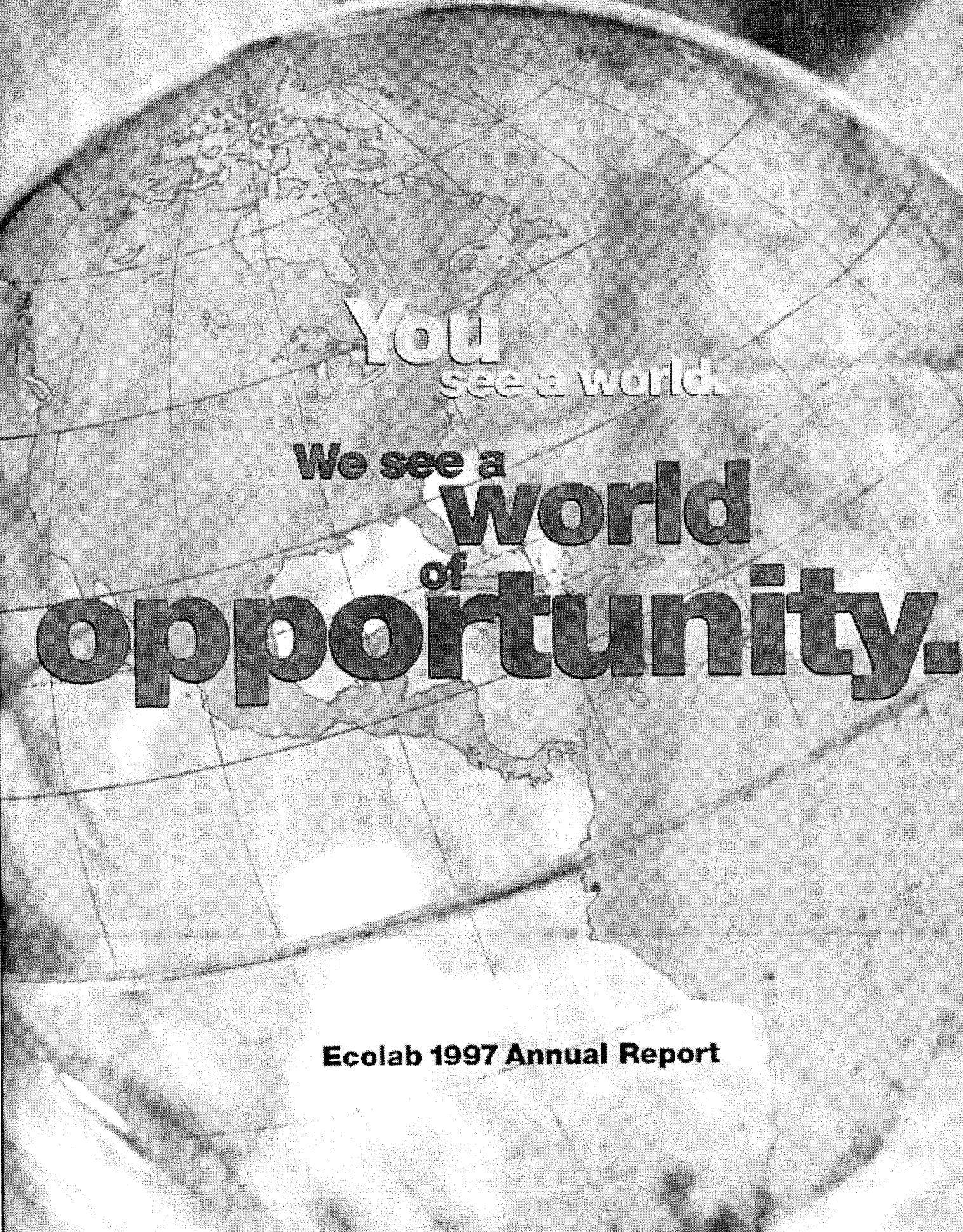
Income and diluted income per share are continuing operations. 1994 reflects pro forma adjustments to eliminate unusual items associated with the company's December 1994 merger with Kay Chemical Company.

This Annual Report to Stockholders contains various "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which represent Ecolab's expectations or beliefs concerning various future events, are based on current expectations. Therefore, they involve a number of risks and uncertainties that could cause actual results to differ from those of such Forward-Looking Statements. We refer readers to the Company's statement entitled "Forward-Looking Statements and Risk Factors," which is contained under Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 1998, for further discussion of these matters. Additional risk factors may be described from time to time in Ecolab's filings with the Securities and Exchange Commission.

Consolidated Balance Sheet

December 31 (thousands, except per share)	1998	1997	1996
Assets			
Cash and cash equivalents	\$ 28,425	\$ 61,169	\$ 69,275
Accounts receivable, net	246,695	246,041	205,026
Inventories	165,627	154,831	122,248
Deferred income taxes	36,256	34,978	29,344
Other current assets	26,511	12,482	9,614
Current Assets	503,514	509,501	435,507
Property, Plant and Equipment, Net	420,205	395,562	332,314
Investment in Henkel-Ecolab Joint Venture	253,646	239,879	285,237
Other Assets	293,630	271,357	155,351
Total Assets	\$1,470,995	\$1,416,299	\$1,208,409
Liabilities and Shareholders' Equity			
Short-term debt	\$ 67,991	\$ 48,884	\$ 27,609
Accounts payable	124,646	130,682	103,803
Compensation and benefits	79,431	74,317	71,533
Income taxes	244	13,506	26,977
Other current liabilities	127,479	137,075	97,849
Current Liabilities	399,791	404,464	327,771
Long-Term Debt	227,041	259,384	148,683
Postretirement Health Care and Pension Benefits	85,793	76,109	73,577
Other Liabilities	67,829	124,641	138,415
Shareholders' Equity (common stock, par value \$1.00 per share; shares outstanding: 1998 – 129,479; 1997 – 129,127; 1996 – 129,600)	690,541	551,701	519,963
Total Liabilities and Shareholders' Equity	\$1,470,995	\$1,416,299	\$1,208,409

See notes to consolidated financial statements.



You see a world

We see a world of opportunity.

Ecolab 1997 Annual Report